

Township of Montclair, Essex County, New Jersey

Lackawanna Plaza Redevelopment Project.

A Mixed-Use Redevelopment Project.

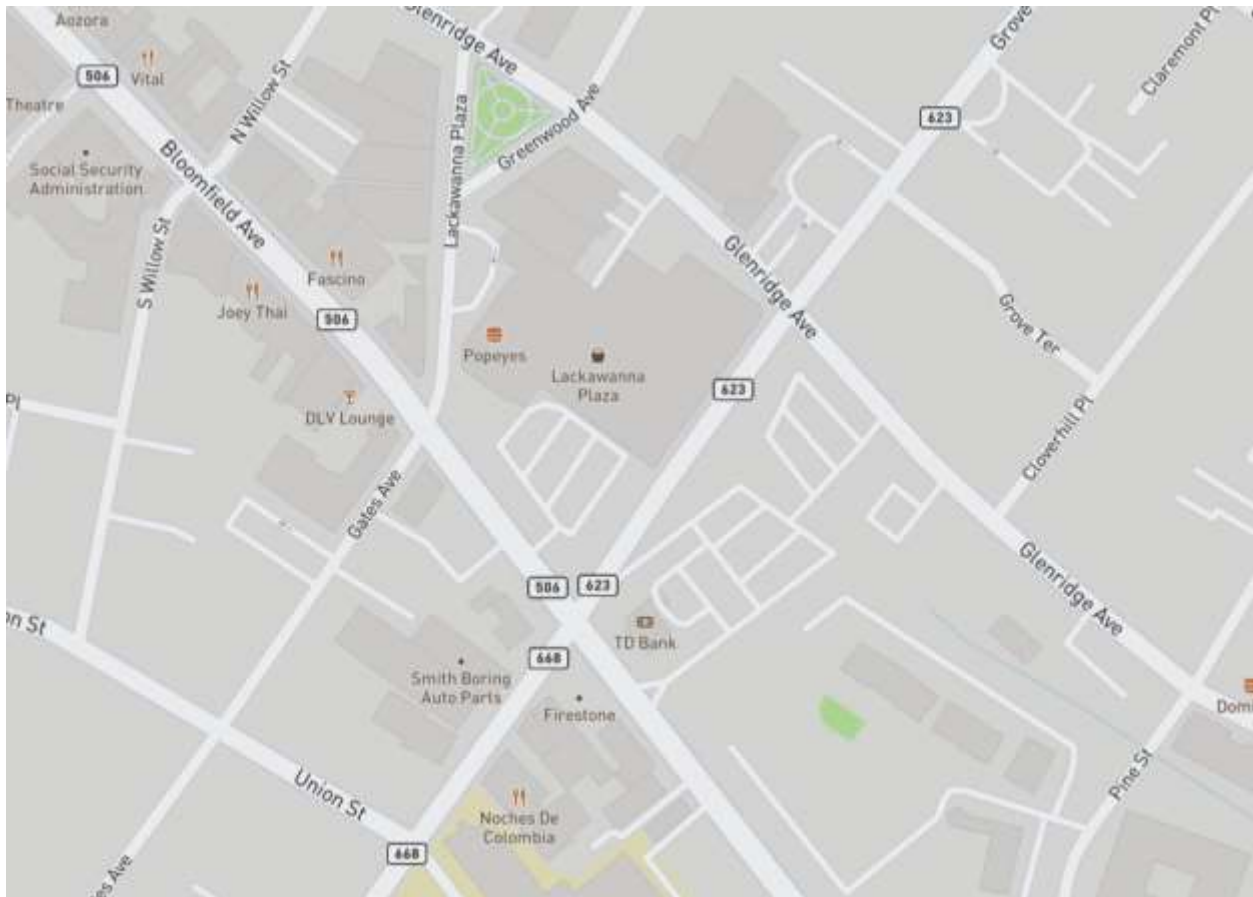
Township of Montclair, N.J.

Economic Impact Report

Including Community Impacts

August 13, 2023

Impact on the Montclair Community and Fiscal Structure Regarding the Proposed Redevelopment.



Impact on the Community and Fiscal Impacts Covering the Proposed Project at Lackawanna Plaza.

All numbers in this Report are presented "BLIND".

Report Summary.

The Lackawanna Plaza Redevelopment Project will turnaround, in a community-oriented manner, the fallow 8.4-acre Lackawanna Plaza. This includes eliminating a food desert in a portion of Montclair. This food desert must be immediately eliminated in a town as well-endowed as Montclair.
The area in need of redevelopment designation and the redevelopment plan must be verified as to the validity and veracity of its steps and procedures used as being properly followed. Please see footnote 1 for an example.
The Project as proposed will generate ~\$2,147,613 in net new annual tax revenue to the Township taxpayer. This is net of all local government service costs, including school costs.
The Project as proposed will generate approximately 434 permanent FT employees.
The Project will include historical elements and an underground pedestrian walkway to connect the Project under Grove Street.
The Project must include resident job recruitment efforts, as described in this Report.
The Township MUST ensure that for a minimum of 20 years that reasonably priced food is accessible and for sale in the grocer. This can be accomplished by having 25% off retail food prices for seniors and local residents on key dates. Local markets regularly do this.
The parking requirement and counts between the redevelopment plan and the redeveloper's scheduled uses must be reconciled. This will ensure that the overlapping parking can be accommodated.

This Economic Impact Report as may be supplemented, as the pertinent redevelopment plan or concept site plan is amended, has been prepared pursuant to the request of the Montclair Finance Department and the Township Manager on behalf of the Township Mayor and Council. On August 3, 2023, the Montclair Planning Department transmitted to the Township Council the Final Lackawanna Plaza Redevelopment Plan (“the “Redevelopment Plan”, or “Plan”) which was prepared providing for the redevelopment of an 8.28-acre area of the Township commonly referred to as Lackawanna Plaza. The Redevelopment Plan if finally enacted by the Township Council will be done pursuant to the Local Redevelopment and Housing Law, N.J.S.A. 40A:12A-1 et seq. (the “LRHL”).¹

According to the United States Census Bureau the Township of Montclair has an estimated population of 40,921 living in the Township’s 6.25 square miles. There are approximately 15,107 housing units in Montclair. Of these residential units, 7,188 are single family detached dwellings and another 298 are single family attached (to another structure such as a basement apartment) dwellings. This is a combined 7,486 single family units, or about 50% of the housing stock in the Township.

¹ We recommend that the redevelopment record should be verified for proper publication, satisfying estoppel periods and other matters. For example, the October 2014 Montclair Center Redevelopment Study indicated that the property at Block 4202, Lot 4.01 (the TD Bank property) did not satisfy the statutory criteria BUT should be included pursuant to the section of the law that permits it to be so included to “facilitate the effective redevelopment of the Study Area”. (This may be moot inasmuch as the new property owner may be the designated redeveloper, but all these matters need to be verified.)

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The percentage of owner-occupied dwelling units is ~62.1%, while ~37.9% are rental units. The Township has an average household size of 2.77 persons (about the same as New Jersey).

I. The Property.

BPD Holdings (“BDP”) is the property owner and potential redeveloper. They are proposing a mixed-use redevelopment project pursuant to the proposed Redevelopment Plan. The below Figure 1 indicates the properties situated in the area in need of redevelopment (“ANR”).

Figure 1. Property Identification Property Data.

Block	Qual	Lot	Land Assessment-\$	Building Assessment-\$	Total Assessment-\$	Acreage	Taxes-\$
3213	C0001	2	7,682,500	917,500	8,600,000		293,518
3213	C0002	2	336,800	263,200	600,000	4.79	20,478
4202		4.01	1,010,300	603,900	1,614,200	0.618	52,155
4202		4.02	545,700	254,300	800,000	2.8	27,304
		Total	9,575,300	2,038,900	11,614,200	8.21	393,455

The following Figure 2 is the tax map abstract of the ANR.

Figure 2. ANR-Tax map abstract.



In March 2015 the Township Council designated the above properties an area in need of redevelopment based on an October 2014 redevelopment study performed by Elizabeth McManus of the firm Clarke Caton Hintz. This report also describes the property conditions evident at the site to qualify the properties as an ANR.

The ANR is situated in two designated neighborhoods, 1-Montclair Northwest and 2-the Commons at Bay Street. The neighborhoods are designated and reported on by CoreLogic-Neighborhood Scout-Report Date: August 7, 2023. The boundary separating the neighborhoods is Grove Street.²

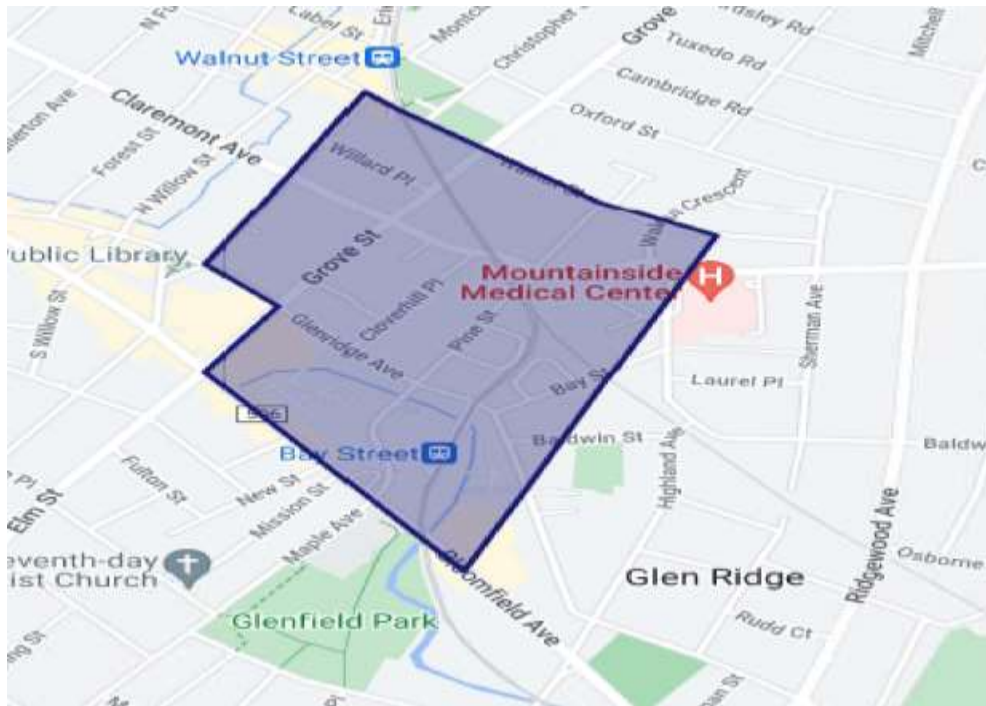
Figure 3. Neighborhood Map-Northwest Montclair.³



² Data sources: We subscribe to CoreLogic's Neighborhood Scout, a demographic and statistical database, including lifestyle characteristics. Their research is supported by Core Logic. Also, the United States Census Bureau, either the American Community Survey ("ACS"), 2021, or the 2020 Census. The ACS includes a 5-year moving average and is the source for demographic data unless otherwise indicated.

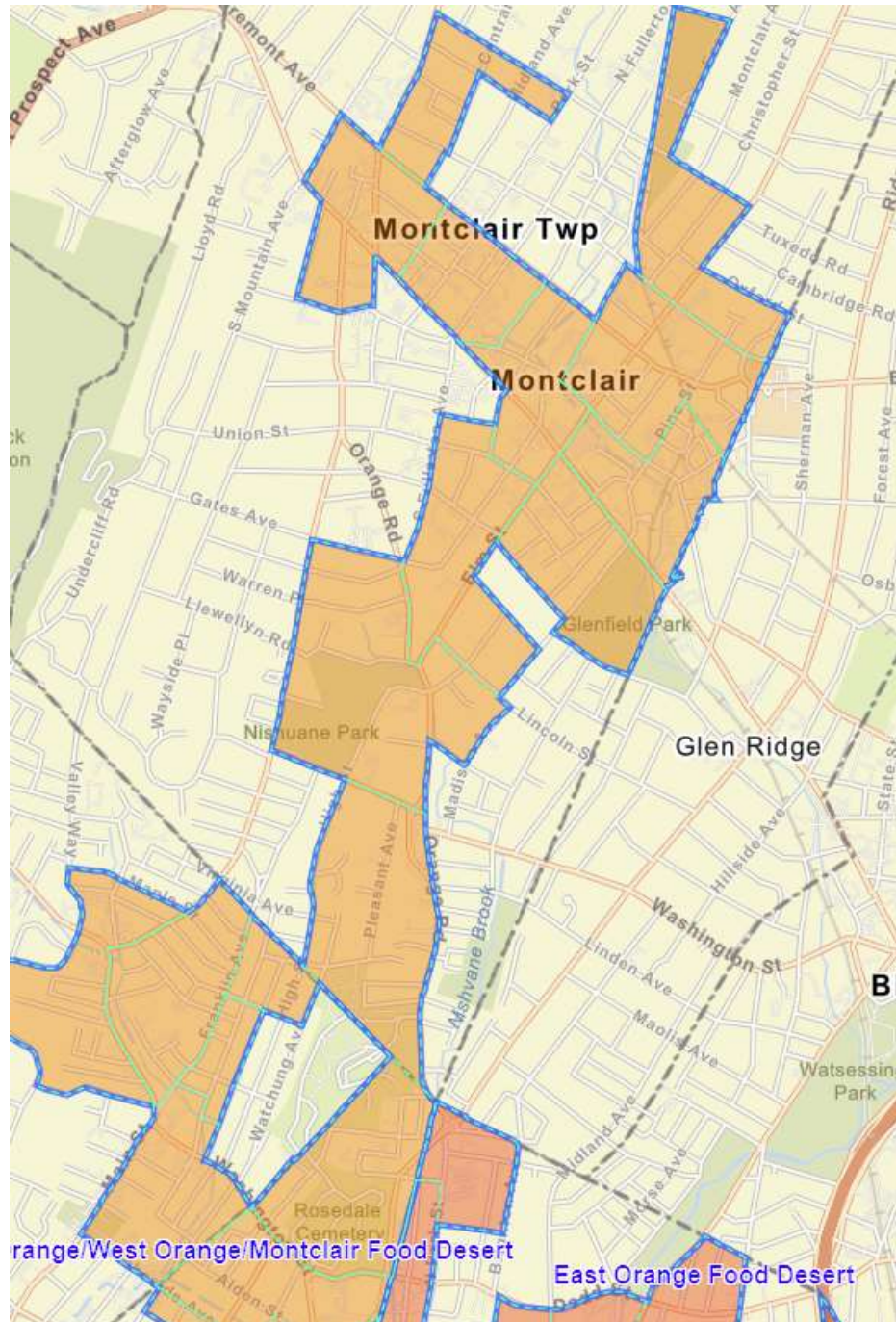
³ Source: Neighborhood Scout.

Figure 4. Neighborhood Map-The Commons at Bay Street.



The ANR is also in a State of New Jersey designated Food Desert, as shown in the following Figure 5. The Orange/West Orange/Montclair Food desert map as published by the State of New Jersey.

(Please see next page.)



The Northwest Montclair area, or neighborhood, has economic characteristics which are tilted to the high side with the median home price being \$512,265 with the average monthly rental price being \$3,841, ranking the area in the top 84% of rental housing prices in all neighborhoods in New Jersey. One-bedroom apartments rents are ~\$3,500 per month with two-bedroom unit rents being ~\$3,800 per month, with three-bedroom units renting for \$4,000+ per month. Median household (“HH”) income in this neighborhood is estimated at \$116,151. This is \$9,680 monthly. This means that apartment rents typically equal 35%-40% of HH income.

The Commons at Bay Street area, or neighborhood, has a higher median home price of \$657,761. Average rental prices are somewhat lower at \$3,426, ranking it higher than 74% of rental housing prices in New Jersey. One-bedroom rents are \$2,800 per month with two-bedroom units approaching \$4,000 per month. The median HH income is \$98,069. This is \$8,172 monthly. This means that apartment rents typically equal 40% of HH income.

The largest parcel in the ANR is 4.8 acres and is the former Path Mark grocery store. It has been vacant for over ten years leading to the aforementioned food desert designation. This parcel is connected via a substandard underground pedestrian walkway to a 2.8-acre parcel to the east which is a parking lot servicing the train station and the shopping center. An additional parcel of .6 of an acre is the TD Bank building having frontage along Bloomfield Avenue.

II. The Proposed Project.

The scope of the proposed redevelopment project (the “Project”) is initially found in Section III.D. Bulk and Yield of the Redevelopment Plan. The Redevelopment Plan has as its objective to turn these obsolete and underutilized properties into attractive, productive uses with a focus on the community, or neighborhood. Therefore, it is apparent and incumbent on all associated with the Project to create a better space, one which fits into the community, while generating a financially viable Project.

Figure 6. Building Schedule.

Use↓/Square Feet→	A	B	C	D	E	Total-S.F.
Retail		14,791	12,420	7,670	4,408	39,289
Grocery	35,751	4,920				40,671
Restaurant		6,120	3,900			10,020
Office	53,798		44,312	-	-	98,110
Residential - Net	-	24,160		70,614	99,846	194,620
Residential - Load		4,321	-	29,714	29,273	63,308
Parking	99,498	111,602	-	73,259	81,236	365,595
Art Space				3,188	2,271	5,459
Mechanical / BOH	-	3,468	6,485			9,953
TOTAL	189,047	169,382	67,117	184,445	217,034	827,025

The marketability of the office and retail space is a concern. A significant amount of retail space is difficult to rent in this market. The rise of on-line retail commerce and the reduction of brick-and-mortar space has caused both large retailers and Main Street to suffer over the past decade. In addition, Montclair is well-retailed, and the new retail space at Lackawanna Plaza may compete with existing retailers. Mitigating against these negative factors is the creation of three hundred new residential units which will have a built-in retail demand from the new residents seeking retail services. In other words, the HH occupants will frequent the retail space and generate new sales.

Turning to the office space, the vacancy rates in the New York area office market are currently over 20% or higher and increasing (Source: JLL Global Real Estate Perspective, August 2023). Montclair may be a micro market and we agree that office space, especially in the medical office space area, is locally in demand. But 98,110 square feet of office space may be difficult to lease at our target lease rates (which are necessary to cover development costs).

Because this Project has a grocer the food desert designation will be eliminated. A very good thing. The Township needs to ensure a wide range of on brand labels and less expensive but high-quality goods and foods are sold. This can be accomplished through the redevelopment agreement-it also makes good business sense.

With this background the following Figure 7 shows the target (or expected) rent profile of the non-residential space.

Figure 7. Non-residential target/expected Rents.

Use	S.F.	Rent-\$ NNN	Per S.F.Rent-\$
Retail	39,289	1,375,115	35
Grocery	40,671	1,830,195	45
Restaurant	10,020	350,700	35
Office	98,110	3,924,400	40
TOTAL		\$7,480,410	

Note: NNN-is triple net where the tenant pays for property taxes, insurance, and common expenses (utilities).

Turning to the residential project component, the following Figure 8 is the proposed residential unit schedule including the target/expected rents.

Figure 8. Residential Component Unit Mix and Rent Target/Expectations.

Market Rate					Monthly	Annual	Gross
Unit Type	Bathrooms	Number	Average SF	Total SF	Rent-\$	Rent-\$	Rent-\$
Studio	One	21	375	7,875	2,800	33,600	705,600
One Bedroom	One	84	550	46,200	3,400	40,800	3,427,200
One Bedroom Den	One	18	600	10,800	3,600	43,200	777,600
Two Bedroom	Two	63	775	48,825	3,900	46,800	2,948,400
Two Bedroom Den	Two	17	875	14,875	4,000	48,000	816,000
Three Bedroom	Two	7	950	6,650	4,200	50,400	352,800
Weighted Average/Total		210	644	135,225	XXX	XXX	9,027,600
Affordable Housing							
Studio	One	12	375	4,500		5,625	67,500
One Bedroom	One		550	0			-
One Bedroom Den	One	18	600	10,800		9,000	162,000
Two Bedroom	Two	18	775	13,950		11,625	209,250
Two Bedroom Den	Two		875	0		13,125	-
Three Bedroom	Two	12	950	11,400		14,250	171,000
Wtd. Average/Total		60	678	40,650	XXX	5,625	609,750
Workforce Housing							-
Studio	One	4	375	1,500	2,240	26,880	107,520
One Bedroom	One	13	550	7,150	2,720	32,640	424,320
One Bedroom Den	One	3	600	1,800	2,880	34,560	103,680
Two Bedroom	Two	7	775	5,425	3,120	37,440	262,080
Two Bedroom Den	Two	2	875	1,750	3,200	38,400	76,800
Three Bedroom	Two	1	950	950	3,360	40,320	40,320
Wtd. Average/Total		30	619	18,575	XXX	XXX	1,014,720
Total							10,652,070

The Project scope includes three hundred residential units with structured parking garages.

III. The Project Financial Structure. Baseline.

Using Marshall and Swift Cost Estimator (a CoreLogic Company) we have determined a minimum construction cost of \$300 per square foot including land, hard and soft costs. This is a minimum and due to the nature of the historic and other site features which add costs (and perhaps value) is very conservative. We then compare the cost to the estimated value of the residential and non-residential components using the target/expected rents indicated in Figure 7. These values will then inform the tax assessment and annual tax revenue generated by the Project. The following Figure 9 is our summary Cost-Value proforma first presented without debt service (unlevered) and with debt service included (levered).

Figure 9. Summary Cost to Value Proforma **Estimated**.

	S.F.	Cost Per S.F.-\$	Total-\$	
Total SF/Cost	827,025	300	248,107,500	
Credit for Parking Spaces	365,595	50	18,279,750	
Total ("TPC")			~229,827,750	
				Value-\$
1-Annual Rents-Non-Residential	Figure 7 (value at 6% Cap.)		7,480,410	124,673,500
2-Annual Rents-Residential	Figure 8 (value at 6% Cap.)		10,652,070	
3-Operating Expenses w/o Tax			3,568,443	118,060,443
4-NOI-Before Taxes and DS			7,083,627	
Total (1+4)	Net Operating Income (NOI)		\$14,564,037	~242,733,943
Debt Service ("DS") P&I			10,961,468	
Adjusted NOI			\$3,602,568	

IV. Property Tax Structure and Tax Revenue Generator.

The following chart shows the breakdown of the 2022 Montclair **Equalized** tax rate.

Figure 10.

County	School	Municipal	Total
0.405	1.359	0.619	2.383
17%	57%	26%	100%

The following chart shows the estimated conservative amount of property taxes to be generated by the Project after full **Project stabilization** and without assigning a confidence interval.

Figure 11. Estimated Property Tax Generated by the Project--- ESTIMATED.

Project Component:	From Figure 9	Assessed Value~	Estimated Property Tax
Non-Residential Value (Estimated Market Value)	\$124,673,500	\$124,673,500	\$2,970,970
Residential Value (Estimated Market Value)	\$118,060,443	\$83,336,783	\$1,985,916
Total Project	\$242,733,943	\$208,010,283	\$4,956,885

Note: The residential property value is reduced by operating expenses AND property tax. Non-residential property is leased NNN, meaning taxes, insurance and utilities are paid by the tenant.

Figure 12a. Property Tax Currently Generated by the ANR Parcels-By Taxing District-2022.

County	School	Municipal	Total
\$66,851	\$224,461	\$102,219	\$393,455

Figure 12b. Estimated Property Tax to be Generated by the Project-By Taxing District
(Figure 11 Compared to Current-2022 Figure 12a.)

	County	School	Municipal	Total
Current	\$66,851	\$224,461	\$102,219	\$393,455
Future	\$842,219	\$2,827,845	\$1,287,786	\$4,956,885
Increase	\$775,367	\$2,603,383	\$1,185,568	\$4,563,430

IV. The Project Public Service Requirements. Baseline Costs.

In a mature, fully developed municipality the incremental approach to costing services is used to determine the increased cost of local services. This incremental approach is referred to as Marginal cost ("MC") which is the cost incurred to service an additional unit (a new resident, a new student, or the additional cost attributable to an extra person needing service). With MC being the cost of providing a service to a new unit. An example may be public safety services delivered to a new office building or the cost of educating additional students where fixed costs (or historical costs) indicate that the cost of educating a new student is much less than the average cost. ⁴ Consider the issue this way: What is the cost of one or a few more students moving to town, or moving out of town?

To illustrate the point of marginal costs we use the seminal paper "The Marginal Cost of Children," February 8, 2011, Lisa Belkin quoting the research of Laura Vanderkamp where the concept of economies of scale or marginal costs of having children are explored. Vanderkamp notes that using US Department of Agriculture data that if your family has two children, ages 13 and 16 the cost will be \$23,000 per year on average. However, if you add a third child, say age 11, your costs will be \$25,880. In other words, the third child costs only \$2,880 more. (We note this cost is in constant dollars and is applicable until the children attend college.)⁵ This is because your home and basic necessities are covered and are fixed. The new cost, of the third child is only 13% of the total cost inasmuch as housing (facilities) and overhead costs are sunk costs (in-place"). The same concept applies to new school aged children in an existing school setting.

We first look at municipal services. Using the marginal cost approach, the analyst must ask what local government service categories will be demanded or increased because the Project is being built.⁶

Taking the following service categories into account we estimate what municipal services may be needed arising from the Project.

⁴ See: Invest & Innovate, By Economist Steve Levy, February 19, 2019, "Who Pays for Palo Alto Schools". For example: "Next there is the issue of marginal cost versus average cost. Even if 275 students were added to an enrollment of 12,000+ very few cost items would change. Many if not most cost items are not sensitive to a 2% change in enrollment. But that is not relevant as even if new on campus Stanford rental housing added 275 students....a mistake often made in *Economic Impact Reports* and public discussion...."

⁵ References: "The Marginal Cost of Kids", February 8, 2011-Laura Vanderkamp as reprinted in the New York Times on February 11, 2011, and "Motherlode-Adventures in Parenting".

⁶ The proportional (or per capita) approach to determine municipal cost impacts in a mature municipality where redevelopment is being proposed is the lazy way to determine impacts and is not accurate because in a mature urban or developed suburban setting the municipal services are fixed. This is not to say that cost increases will not be felt because they will on a marginal cost basis. Indeed, some municipal service costs may decrease. The proportional approach is more appropriate in a non-redevelopment setting, for example, turning farmland into a new single-family development.

But first, some background: The October 2014 Montclair Center Redevelopment Study found that the ANR had property that was “sunk beneath the grade of Grove Street by over 10 feet”, further, “due to the grade difference it offers no retail frontage along the street-only a blank wall”. According to the Study, this “lack of visibility may have contributed toward the 152 crimes that occurred on this property from 2009 through 2014”. This bolsters the point that services (in this example police services) are or have already been provided to the area in need of redevelopment. The following chart shows the 2023 municipal budget spending categories (with grants excluded).

Figure 13. The 2023 Montclair Service Categories.⁷

FCOA #	Municipal Service Category	2023 Budget Amount
20	General Government	\$4,517,400.28
21	Land-Use Administration	\$712,731.75
22	Uniform Construction Code	\$1,063,731.90
23	Insurance	\$8,531,653.42
25	Public Safety	\$29,006,218.00
26	Public Works	\$4,121,554.10
27	Health and Human Services	\$1,956,783.00
28	Parks and Recreation	\$1,025,024.00
29	Education (including Library)	\$4,070,995.00
30	Unclassified	\$212,576.53
31	Utilities and Bulk Purchases	\$2,495,000.00
32	Landfill / Solid Waste Disposal	\$4,834,553.92
36	Statutory Expenditures	\$10,723,254.05
37	Judgements	
42	Shared Services	\$1,339,107.00
43	Court and Public Defender	\$751,725.75
44	Capital	\$1,112,000.00
45	Debt	\$10,737,617.00
48	Debt - Type 1 School District	\$8,046,700.00
50	Reserve for Uncollected Taxes	\$3,285,826.00
55	Surplus General Budget	
	Total	\$98,544,451.70

⁷ Source: the 2023 User Friendly Budget.

Figure 14. Police and Fire Personnel Costs 2023.⁸

	Number Members	Average Cost Per Member-\$	Total Cost-\$	Base Pay-\$	Overtime and Related-\$	Pension-\$	Net Health Insurance Costs \$	Employment and Other Benefits-\$
Police Officers	112	216,348	24,230,954	15,747,440	750,000	5,749,391	1,744,910	239,213
Fire Fighters	79	200,053	15,804,162	9,546,084	1,375,000	3,485,275	1,239,447	158,356
Total	191	~208,000	40,035,116	25,293,524	2,125,000	9,234,666	2,984,358	397,569

Note: the above excludes vehicles, office support, personal equipment and so on. The above includes personnel costs only.

We assume, and recommend, that the Redevelopment Plan provides for the redeveloper to furnish the following services:

Figure 15. Assumed Redeveloper Provided Services.

1	Garbage and trash removal for all uses. (If the tenant is responsible through lease agreements, then the redevelopment plan or redevelopment agreement shall provide for the redeveloper to be ultimately responsible.)
2	On site security, specifically for the grocer during all business hours, the parking garage "24/7" and the residential units (lobby area) "24/7". The security firm must be bonded and reputable and NOT carry weapons unless a non-lethal type of weapon is approved by the Montclair Police Department.
3	Video cameras including a police department link should be provided in a minimum of six locations as determined by the Montclair Police Department.
4	Continual maintenance and management of the parking garage and ground parking, including snow removal, line painting and interior as well as exterior building maintenance.
5	Continual maintenance of the storm water collection and transmission system. This includes maintenance of the underground pedestrian walkway.
6	Insurance to the benefit of the Township for all easement and public or quasi-public areas so as to protect the Township from liability arising from public access, including access to the historic features of the redevelopment area.
7	Sprinklers and a fire prevention program approved by the Township fire official(s). An on-site part time fire marshal, funded by the redeveloper, is recommended.

Note: we assume and verbally verified that the redeveloper will be able to service the site with all upgraded utilities.

We can estimate the number of persons expected to live at the proposed Project based on the Center for Urban Policy Research study "Who Lives in New Jersey Housing"- Rutgers University, Center for Urban Policy Research, 2006 and using the United States Census data to check for statistical

⁸ Source: the 2023 User Friendly Budget.

anomalies.⁹ Based on the CUPR research it is estimated that 1.597 persons will live in each studio and one bedroom unit while 1.996 persons will live in the two bedroom units.

Our cross-check with US Census data shows that of the 15,107 housing units in Montclair, 5,364 have children as part of the HH. This is 36% of all HHs. Therefore, we again check this estimate against other demographic data. The Census Bureau indicates that the average household size is ~2.77 in Montclair, but the predominant residential unit type having families is a single family detached three to four-bedroom residence. These type units have a higher occupancy than rental units having one, two and three-bedrooms. The average Montclair HH size includes single family detached abodes and where there are families with children the HH size is 3.15 which also includes single family detached abodes.

When broken down by rental units we get closer to the CUPR numbers where the average HH size is 1.93 compared to 1.996 (2.0) using the CUPR numbers.

The proposed Project will include studio and/or small one-bedroom units, ~58% of all units, which probably have a lower occupancy rate than the aforesaid numbers. For conservative (to the high side) computational ease we will round up to 1.6 persons per studio/one bedroom unit and 2.15 persons per two-bedroom unit. To be conservative we will take the midpoint of 1.996 and 2.77 as a reasonable estimate of the number of persons on average living in each three-bedroom unit. This is ~2.38 persons per three-bedroom unit.

The National Association of Apartments (“NAA”) published the results of a broad-based study of the apartment renter profile, examining 5.7 million individual lease transactions in a statistical analysis of actual renter characteristics such as age, income, number of adults per household, marital status and the presence of children or pets in the unit.

Based on this analysis, eight distinct types of U.S. renter households emerged. Further, some types of households are more prevalent in certain local markets and in certain product types than others. To identify these various local trends, twenty-five large metros and 25 smaller markets across the country were studied by NAA. The following renter categories were identified:

1-Starting out singles. Up to 29% of the renter base have an average age of twenty-six. Because of high rents this group are more likely to rent Class B apartments.

2-Starting out roommates. Up to 21% of the renter base having an average age of 28 and more likely, due to combined income to be better able to afford Class B+ or Class A properties.

3-Perma-renters. Sixteen percent of the renter base tend to start out in their early 40’s and rent Class B or B+ properties. They are less transient than younger or older renters and tend to be located in areas where Class B apartments are in good supply.

⁹ The Rutgers study is authored by David Listokin, et al. The Center for Urban Policy Research is known as the “CUPR”.

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4-Middle income boomers. Less than 11% of the renter base are 62 +/- and may be drawing a pension or social security. They tend to rent Class B properties.

5-Moving on up "30's", or thirty-year-old individuals. 8% of the renter base are 30 something or a bit younger with solid income and Class A rental appetite. They tend to be situated in New York/New Jersey and other active metro areas.

6-Working (or transitioning) families. Less than 6% of the renter base is made up of families with a limited budget or being forced to opt for temporary type housing. These renters tend to live in more affordable units such as found in Class C units.

7-Young Couples. 5% of the renter base are young couples who are married or committed and have two incomes in a Class A rental situation.

8-Pet people. Yes-this is a category. A growing proportion of renters in the renter base are pet people who are in their upper 30's and older and want convenient living but need or desire to rent in a pet friendly environment.

Because the Montclair Center is "trendy" according to Neighborhood Scout and already has an active young professional demographic; it follows that categories 1 (singles), 2 (new roommates) and 5 (moving up 30's) will be the predominant occupants of these units. However, the larger units may be occupied by category 3 (perma-renters) and 4 (boomer/empty nesters) with some from category 7 (young couples) being occupants.

Based on the NAA research we can apply a percentage of each category to the units. Because about 60% of the units have one bedroom, approximately 95%-100% of these units are anticipated to be rented to singles, new roommates, and moving up 30's.

Of the remaining 127 units, 101 (34% of the total) will have two bedrooms, some occupants will be classified as new roommate(s) and young couples, as well as boomers/empty nesters will be occupants. We will split them up in equal one-third categories. This results in the 127 units being occupied by perma-renters at 42 units, young couples at 45 units and boomer/empty nesters at the rate of 42 units.

Working or transitioning families, meaning from newborn to school aged children, typically do not move into these types of units, although families may occupy the affordable units-especially the two- and three-bedroom affordable units, 26 total three-bedroom units of which 19 are affordable type units. Notwithstanding the foregoing, children including some school aged children ("SAC") will live at the proposed project. To be conservative we assume all children are SAC and will attend public schools.

Again, we turn to the 2006 CUPR study which in 2018 the Rutgers Center for Real Estate updated to provide clarity to the public's expectation of school aged children living in apartments. The 2018 Rutgers Study indicates that on average 1.3 SAC will live in every 100 market one-bedroom units and 8.9 SAC will live in every 100 market two-bedroom units-with a bit more-62 per 100 in three-bedroom units (although this is to the high side).

These Studies also indicate that there will be 6.9 SAC residing per 100 one-bedroom affordable units, 61 SAC residing per 100 two bedrooms units and 109 residing per 100 three-bedroom affordable units.¹⁰

Figure 16. Lackawanna Plaza Population and School Aged Children Estimates.

Unit Type	Number of Units	Pop Factor	Estimated Population	SAC Factor	Number of SAC
Market Studio/One Bedroom	123	1.6	197	1.3%	2
Market Two Bedroom	80	2.15	172	8.9%	7
Market Three Bedroom	7	2.38	17	62%	4
Affordable Studio/One Bedroom	30	2.0	60	6.9%	2
Affordable Two Bedroom	12	2.4	29	61%	7
Affordable Three Bedroom	18	2.77	50	109%	20
Workforce Studio/One Bedroom	20	1.6	32	1.3%	0
Workforce Two Bedroom	9	2.4	22	61%	5
Workforce Three Bedroom	1	2.77	3	109%	1
	300		580.50		49
Factor			1.93		.16 (16%)

Note: 173, one bedroom; 101, two bedrooms; 26 three-bedroom units.

Delving into the school cost impact, we see that the Montclair School District had an ebb and flow to enrollment over the past decade—with a general decline, although 2023 may see an increase in enrollment.¹¹ The school district has a capacity of 6,561 students and during the 2022 school year had 6,048 students, whereas 10 years ago the Montclair School District had 6,281 students.¹² Therefore, sufficient capacity exists to accommodate 50 students coming online and into the district over the next five years as the Project is built and stabilized. Therefore, the marginal cost of educating these SAC must be estimated. This is estimated at \$4,809 per student using the 2023 SY budget. We take the amount spent on support services, \$4,468, plus the amount spent on extracurricular activities, \$341, per student to arrive at the \$4,809 marginal cost number. The 50 students residing in the Project will be distributed in the various K-12 grades with teacher expenses being fixed.

Therefore, the impact on schools can be calculated at 50 multiplied by \$4,809. This is \$240,450 annually.

¹⁰ We use higher numbers to remain conservative.

¹¹ Source: The State Department of Education, 2022 CAFR Report as filed by the Montclair School District.

¹² Although Montclair School District student enrollment has declined over the past decade albeit by under 5% (statistically “a wash”) the school tax levy and budget has grown by over 26% (with special education counting for a fraction of the increase). This mitigates the premise that school funding/costs rise and fall as enrollment does—meaning the average per student cost is irrelevant here.

BENECKE ECONOMICS

Returning to municipal service costs anticipated to be provided in the Project area, assuming the services included in Figure 14 are provided by the redeveloper and consistently implemented, we believe the marginal municipal cost increase will be focused on one (1) around the clock police officer, “24/7”, which shall be devoted to the general neighborhood, as the Police Chief may determine. This will cost approximately \$1,100,000 annually. (See Figure 14, which shows it takes just under five police officers to add one around the clock member to the police force.)

A state-of-the-art fire apparatus and fire equipment package of \$2,000,000 will also be required so that the Montclair Fire Department has a ladder truck (\$1.5 million) and other equipment to fight fires and respond to emergencies in the general Project area. This fire equipment investment will be amortized over 10 years at \$200,000 annually. Due to the number of residents and the activity of the grocer and other spaces we believe an ambulance and related equipment will be required to serve the general neighborhood. This is \$400,000, or \$40,000 annually amortized over ten years. Finally, we are very concerned about the parking structure and “physical tightness” of the area leading to emergency (fire, health, etc.) responses. A part time fire marshal or public safety advocate (for the general neighborhood) will go a long way to ensure a peaceful and safe environment for residents, office workers, and retail employees alike.

This adds up to \$1,400,000 annually in municipal service costs. This is in addition to the \$240,450 in annual potential school district cost increases.

To summarize the Project’s annual fiscal impact:

Figure 17. Fiscal Impact Summary.

	County	School	Municipal	Total
Increase	\$775,367	\$2,603,383	\$1,185,568	\$4,563,430
Costs	\$775,367	\$240,450	\$1,400,000	\$2,415,817
Annual Difference	\$0	\$2,362,933	(\$214,432)	\$2,147,613

Note: The School and County do NOT directly receive the added money inasmuch as these entities receive their tax levy “automatically” regardless of what the revenue (or cash receipts) profile indicates. By way of example, the school district does not receive \$2,362,933 greater than today; BUT the school district is guaranteed their tax levy amount.

Overall, this Project will net the Township taxpayers \$2,149,613 annually in estimated tax revenue, using our assumptions. The Project will also generate additional economic benefits. Based on our research and various industry sources we estimate the Project will generate \$17,356,000 in annual income from employment in this Project. The following Figure 18 indicates where the estimated 434 new jobs will be generated from based upon use. However, as we previously indicated, the redeveloper must be cautious because the office space (and to a lesser degree the retail space) may be difficult to lease.

Figure 18.

Use	S.F. (1,000's)	# Employees	Annual Income-\$
Retail	39	79	3,143,120
Grocery	41	70	2,800,000
Restaurant	10	30	1,202,400
Office	98	245	9,811,000
Residential - Net	195		-
Residential - Load	63	5	200,000
Parking	366	4	160,000
Art Space	5	1	40,000
Mechanical / BOH	10		
TOTAL	827	434	17,356,520

The focus here is to ensure as many Montclair residents as possible are employed in the Project. Each employer through the redeveloper must agree to have an annual job fair locally advertised and conducted for all open positions, to be held annually for a minimum of five years. This includes at least three job fairs held around the estimated opening date (say within 90 days prior to the issuance of the first certificate of occupancy), so as to attract local residents as employees.

Further, if less than 20% of the Project employees live in Montclair then the redeveloper shall commit \$500,000 annually to a Montclair jobs training program to be administered by the Montclair School District. This provision shall remain for five full years following the issuance of the first certificate of occupancy.

Positive, both direct and indirect, economic impacts will result from employment, such as the households spending their discretionary income (20% of total-\$3,500,000 annually) in the Lackawanna Plaza area. This is significant.¹³

¹³ During construction the employees building the Project will also be spending discretionary dollars in the Lackawanna Plaza area.